Earnings Release

ELBIT SYSTEMS REPORTS SECOND QUARTER 2004 RESULTS

Revenues Increase To $231.6 million from $218.8 million in Second Quarter Last Year
Net Profit Increases To $11.3 million from $9.2 million in Second Quarter Last Year
Backlog of Orders Reaches a Record $1.9 billion
Extraordinary Dividend of $1.80 Per Share

Haifa, Israel, August 9, 2004 – Elbit Systems Ltd. (the "Company") (NASDAQ: ESLT), the international defense company, today reported its consolidated results for the quarter ended June 30, 2004.

Consolidated revenues for the second quarter of 2004 increased 5.9% to $231.6 million from $218.8 million in the corresponding quarter in 2003.

Consolidated revenues for the six month period ended June 30, 2004 increased 5.8% to $445.3 million from $420.9 million in the same period in 2003.

Consolidated net income for the second quarter of 2004 was $11.3 million (4.9% of revenues) as compared with $9.2 million (4.2% of revenues) in the same period in 2003. Diluted earnings per share ("EPS") for the second quarter of 2004 was $0.28 as compared with $0.23 for the second quarter of 2003.

The Company's financial results were affected by the increase in the Company's share price during the reported periods, due to non-cash expenses related to the employees "phantom" option plan.

Excluding the phantom option plan non-cash expenses, net income in the second quarter of 2004 was $14.0 million (6.1% of revenues), and the diluted EPS was $0.34, as compared to net income of $13.3 million (6.1% of revenues) and diluted EPS of $0.33 in the second quarter of 2003.

Consolidated net income for the first six months of 2004 was $24.0 million (5.4% of revenues), compared with $21.5 million (5.1% of revenues) for the same period in 2003.

Diluted EPS for the six months ended June 30, 2004 was $0.59 compared with $0.54 for the corresponding period in 2003.

Excluding the phantom option plan non-cash expenses in 2004, net income for the six months ended June 30, 2004 was $27.0 million (6.1% of revenues), and diluted EPS was $0.66. For the six-month period ended June 30, 2003, net income was $26.6 million (6.3% of revenues) and diluted EPS was $0.66.

Gross profit for the second quarter of 2004 was $58.5 million (25.3% of revenues), as compared with gross profit of $57.2 million (26.2% of revenues) in the second quarter of 2003.

Excluding non-cash expenses related to the Company's phantom option plan, gross profit in the quarter ended June 30, 2004 was $60.4 million, or 26.1% of revenues, as compared with $60.0 million, or 27.6% of revenues in the quarter ended June 30, 2003.

Gross profit for the first six months of 2004 was $115.4 million (25.9% of revenues) as compared with $114.1 million (27.1% of revenues) in the same period of 2003.

Excluding non-cash expenses related to the Company's phantom option plan, gross profit for the six months ended June 30, 2003 was $117.5 million, or 26.4% of revenues, as compared with $117.7 million, or 28.0% of revenues in the six-month period ended June 30, 2003.

Backlog of orders as of June 30, 2004 reached $1,906 million, as compared with $1,752 million at the end of 2003. 68% of the backlog relates to orders outside of Israel. Approximately 63% of the Company's backlog as of June 30, 2004, is scheduled to be performed over the next two quarters of 2004 and during the year 2005.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "The second quarter results reflect the continuation of improvement in our net profit that we saw in the first quarter, and a continued growth in revenues and backlog of orders. These results are evidence of the success of the strategy that we have taken, focusing on the development of our technological growth engines and on cooperation with other leading companies worldwide. We see the fruits of the significant investments made by the Company in these areas and anticipate this trend to continue".

The Board of Directors declared an extraordinary dividend of $1.80 per share. The record date of the dividend is September 7, 2004. The dividend will be paid on September 20, 2004, net of taxes and levies, at the rate of approximately 22%.

Conference Call

Elbit Systems will host a conference call today, **Monday, August 9, 2004** at 10:30 AM ET. To take part in the conference call, please dial 1-866-860-9642 (U.S.), 0800-917-5108 (U.K.) or +972-3-918-0610 (International and Israel) a few minutes before 10:30 AM **ET.** For your convenience, **an instant replay will be available** starting at 12:30 PM ET the same day until Wednesday, August 11, 2004 at 12:30 PM ET. The replay telephone number is 1-866-276-1485 (U.S.), 0800 169 8104 (U.K.) or +972-3-925-5948 (International and Israel).

This call will also be broadcasted live on: **www.elbitsystems.com.** and an online replay will be available for 30 days.

About Elbit Systems

Elbit Systems Ltd. is an international defense electronics company engaged in a wide range of defense-related programs throughout the world, in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence, surveillance and reconnaissance ("C4ISR"), advanced electro-optic and space technologies. The Company focuses on the upgrading of existing military platforms and developing new technologies for defense and homeland security applications.

For more about Elbit Systems, please visit our website at www.elbitsystems.com

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ELBIT SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS
(In thousand of US Dollars)

	June 30 2004	December 31 2003
	Unaudited	Audited
Assets		
Current Assets:		
Cash and short term deposits	90,901	76,846
Trade receivable and others	227,079	251,644
Inventories, net of advances	241,868	249,225
Total current assets	559,848	577,715
Affiliated Companies & other Investments	39,379	38,223
Long-term receivables & others	78,987	78,565
Fixed Assets, net	237,204	229,221
Other assets, net	96,620	100,012
	1,012,038	1,023,736
Liabilities and Shareholder's Equity		
Current liabilities	358,671	378,731
Long-term liabilities	171,419	188,811
Minority Interest	3,972	4,115
Shareholder's equity	477,976	452,079
	1,012,038	1,023,736

ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF INCOME

(In thousand of US Dollars, except for per share amounts)

	Six Months Ended June 30		Three Months Ended June		Year Ended December 31
	2004	2003	2004	2003	2003
	Unaudited		Unaudited		Audited
Revenues	445,317	420,948	231,645	218,758	897,980
Cost of revenues	329,879	306,804	173,127	161,405	673,561
Gross Profit	115,438	114,144	58,518	57,353	224,419
Research and development, net	27,121	28,448	13,857	13,586	54,919
Marketing and selling	35,444	35,123	19,035	19,095	69,943
General and administrative	23,204	22,889	11,791	11,938	46,077
Total operating expenses	85,769	86,500	44,683	44,619	170,939
Operating income	29,669	27,644	13,835	12,734	53,480
Financial expenses, net	(1,301)	(3,306)	(822)	(2,030)	(4,870)
Other income, net	(84)	91	(299)	(18)	903
Income before income taxes	28,284	24,429	12,714	10,686	49,513
Taxes on income	7,401	6,602	3,207	2,956	11,334
	20,883	17,827	9,507	7,730	38,179
Company's share of partnerships and affiliated Companies income, net	2,969	2,949	1,612	1,048	7,209
Minority rights	187	690	193	433	557
Net income	24,039	21,466	11,312	9,211	45,945
Earnings per share					
Basic net earnings per share	$ 0.61	$ 0.55	$0.28	$ 0.24	$ 1.18
Diluted net earnings per share	$ 0.59	$ 0.54	$ 0.28	$ 0.23	$ 1.14